

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10

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E.O. 11652: N/A - DECONTROL DECEMBER 10, 1974

TAGS: EIND, IR

SUBJ: IRANIAN POLICY ON FOREIGN INVESTMENT

REF: TEHRAN 8425

1. SUMMARY: RECENT PRESS REPORTS OF CHANGE IN IRANIAN POLICY TOWARDS FOREIGN INVESTMENT APPARENTLY ARE UNTRUE. ALTHOUGH AMOUNT OF LIKELY BRITISH INVESTMENT RESULTING FROM LATE NOVEMBER HIGH LEVEL INVESTMENT CONFERENCE WAS EXAGGERATED, NUMBER OF DEALS IN PIPELINE MOVED FORWARD, AND NEW BRITISH INVESTMENT IN IRAN MAY TOTAL 100 MILLION POUNDS OVER NEXT FEW YEARS. BOTH SIDES SEEM PLEASED WITH CONFERENCE RESULTS. END SUMMARY.

2. LEAD STORY IN SEMI-OFFICIAL KAYHAN INTERNATIONAL ON DECEMBER 4 CITED REMARKS BY PRIME MINISTER HOVEYDA DURING PARLIAMENTARY DEBATE ON BUDGET INDICATING THAT GOI MIGHT BE CHANGING TERMS UNDER WHICH IT WOULD ACCEPT FOREIGN INVESTMENT AND THAT SOME CREDITS AL-
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READY ACCEPTED MIGHT NOT BE UTILIZED OR PERHAPS REPAID AHEAD OF

SCHEDULE.

3. DURING CALL ON CENTRAL BANK VICE GOVERNOR AHMAD KOOROS ON DECEMBER 8, EMBOFF ASKED ABOUT MEANING OF PRIME MINISTER'S REPORTED REMARKS. KOOROS CLAIMED STATEMENTS WERE MADE IN RESPONSE TO NEEDLING FROM OPPOSITION MARDOM PARTY MEMBERS CONCERNING HIGH LEVEL OF FOREIGN BORROWING IN NEW BUDGET (REFTEL. AND THAT HOVEYDA WAS QUOTED OUT OF CONTEXT. KOOROS SAID NO CHANGE CONTEMPLATED IN OFFICIAL GOI POLICY OF WELCOMING FOREIGN INVESTMENT. ALTHOUGH IRAN'S FAVORABLE FINANCIAL CONDITION, BECAUSE OF RISING OIL REVENUES, RAISES QUESTION AS TO COUNTRY'S NEED FOR CONTINUED IMPORT OF LARGE AMOUNTS OF FOREIGN CAPITAL FOR DEVELOPMENT, GOI FEELS BORROWING ABROAD CONTINUES TO BENEFIT IRAN BECAUSE TECHNICAL ASSISTANCE OFTEN INVOLVED IN LOANS AND AS MEANS OF MAINTAINING CONTACT WITH FINANCIAL AND INDUSTRIAL DEVELOPMENTS IN MORE ADVANCED COUNTRIES. DEBT SERVICE UNLIKELY TO CAUSE ANY FINANCIAL DIFFICULTIES OVER NEXT FEW YEARS.

4. HOVEYDA ARTICLE ALSO REFERRE* TO 250 MILLION POUNDS STERLING IN BRITISH INVESTMENT EXPECTED AS RESULT OF MUCH BALLYHOOED IRAN/UK INVESTMENT CONFERENCE WHICH TOOK PLACE AT PERSEPOLIS DURING LAST WEEK OF NOVEMBER. ACCORDING TO BRITISH EMBASSY COMMERCIAL COUNSELOR, HOWEVER, THIS FIGURE REPRESENTS MAXIMUM TH * MIGHT BE INVES*ED IN JOINT PROJE*TS BY BOTH BRITISH AND IRANIANS "OVER NEXT SEVERAL YEARS." BRITISH SHARE NOT EXPECTED TO EXCEED 100 MILLION POUNDS. *ROJECTS IN PEPELINE INCLUDE: (1) BRITISH STEEL CORPORATION WITH INDUSTRIAL AND MINING DEVELOPMENT OF IRAN (IMDBI) IN STEEL ROLLING MILL WITH ONE MILLION METRIC TONS CAPACITY EXPECTED TO BE CONSTRUCTED IN ISFAHAN AREA; (2) MASSEY-FERGUSON INTERNATIONAL DEAL WITH IRANIAN DEVELOPMENT AND RENOVATION ORGANIZATION (IDRO), WHICH MAY REPLACE RUMANIAN PARTICIPATION IN TRACTOR PLANT AT TABRIZ AND ALSO WOULD MANUFACTURE DIESEL ENGINES AND OTHER EQUIPMENT; (3) PARTICIPATION OF MORGAN GRENFELL AND CO OF LONDON IN NEW BANK TO BE SET UP WITH IRANIAN PARTNER AND "SOME ARAB CAPITAL"; (4) AGREEMENT BETWEEN INTERNATIONAL COMPRESSED AIR CORP AND IDRC TO PRODUCE COMPRESSBUSAIR EQUIPMENT IN IRAN; (5) JOSEPH LUCAS INDUSTRIES' PARTICIPATION IN JOINT VENTURE TO PRODUCE AUTOMOTIVE ELECTRIC EQUIPMENT IN IRAN; (6) MEMORANDUM OF UNDERSTANDING BETWEEN IMPERIAL METAL INDUSTRIES AND IMDBI TO MANUFACTURE LIMITED OFFICIAL USE

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COPPER AND COPPER ALLOY STRIPS, WIRE, RODS, AND TUBES; (7) JOINT DEAL WITH FLOWER GROUP OF COMPANIES IN ENGLAND, NEWLY ESTABLISHED IRAN COMPANY CALLED FLORAN, AND AGRICULTURAL DEVELOPMENT FUND OF IRAN TO RAISE LEVEL OF IRANIAN MILK AND MEAT PRODUCTION. LAST DEAL REPORTEDLY WOULD INVOLVE IMPORT OF 65,000 HEAD OF CATTLE.

5. BRITISH COMMERCIAL COUNSELOR ADDED THAT FOR GOI VISIT HAD BEEN SUCCESSFUL IN ACQUAINTING HIGH LEVEL BRITISH INDUSTRY REPRESENT-

ATIVES WITH GROWING IRANIAN MARKET AND ATTRACTIVE INVESTMENT
CLIMATE. HE NOTED BRITISH HAVE KEVER PREVIOUSLY HAD LARGE NON-OIL
INVESTMENTS IN IRAN, WHICH AT END OF 1971 TOTALLED ONLY ABOUT
SEVEN MILLION POUNDS STERLING. EMBASSYY HAS BEEN INFORMED BOTH
GERMANS AND JAPANESE PLAN SIMILAR HIGH LEVEL INVESTMENT CONFER-
ENCES WITH IRANIANS DURING FIRST HALF OF 1974.
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